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U.S. ECONOMY/ LIMITED-SERVICE LODGING INDUSTRY

10th Annual Report
1990 Edition

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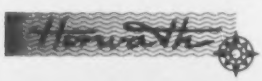

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U.S. ECONOMY LODGING: HEALTHY, BUT SLOW GROWTH

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Laventhol & Horwath
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Cautious optimism describes the economy/limited-service segment in the 1990s in an otherwise pessimistic lodging environment.

The top 50 economy/limited-service lodging chains had a combined total of 5,932 properties and 568,100 rooms at the end of 1989. The actual growth from 1988 to 1989 was 447 properties and 45,900 rooms, increases of 8.1 percent and 8.8 percent, respectively.

Expansion activities among the chains have slowed to a snail's pace, especially since the latter half of 1989. Expect the slow-growth environment to continue throughout 1990 for the following reasons:

- Most chain executives were too busy soliciting buyers or closing a deal on a chain or parts thereof, and not devoting enough time to future development strategies and operation activities. Chains such as Days Inns, Hampton Inns, Rodeway Inns, Friendship Inns, Econo Lodges, Regal Inns, Wellesley Inns and Cricket Inns or their parent companies, were involved in an acquisition or sale. These activities will cause 1990 to be focused less on expansion and more on "damage control" with existing franchises and lender relations.
- Scarce financing! Most lenders don't want to look at new deals, much less finance them. Lenders are overburdened by their existing obligations and support each other so they won't be overcome by their own debt. In a sense, the hotel industry has been cast adrift by the financial institutions. Whether hotel owners sink or not will depend on the problems in their individual operations and their skills in handling them.

The economy/limited-service lodging segment is still considered healthy. This is especially true for established national and regional chains that have strived for quality accommodations and service by offering an exceptional price/value lodging experience. However, as a result of the lodging industry's overall "critical condition," the economy segment suffers by association. In fact, the newer economy/limited-service lodging properties have all the fundamentals for less of an underwriting risk by lenders than other segments of the industry.

Economy properties require less capital per project — from $2.0 million to $7.0 million on average — so each deal presents a smaller lending limit to a lender.

Economy properties eliminate the lower profit margin departments of food and beverage and unproductive, expansive, costly public areas, both of which increase labor costs and energy expense.

Finally, these properties focus on the higher rooms department margins with over 95 percent of all revenues derived by this source. Hence, economy/limited-service properties have lower breakeven thresholds, aren't as labor and management intensive, and have an easier time controlling operating expenses than typical full-service hotels. This means the properties meet lender criteria better.

■ The universe of appropriate properties to convert to economy/limited-service facilities has reached the "bottom of the barrel." The cream of older properties has been siphoned off, leaving only marginal, older properties for recycling.

To continue to find acceptable conversion products, hotel companies in the top 50 have begun to cannibalize each other. Marriott's purchase of a Hampton Inn in Phoenix to convert to a Fairfield Inn is just one example. Chains that vowed never to accept conversions are now actively soliciting them through slick brochures and advertising campaigns. This conversion strategy, however, will be more cumbersome and take longer to complete.

A year-to-year comparison for 10 chains is shown on Exhibit A. Comfort Inns came out on top for the second consecutive year. These ten chains actually added 49,600 rooms to their systems which is more than the 45,900 rooms added to the entire top 50. How, you may be asking yourself, can that be? The answer is the other 40 chains had more net losses from their systems than those gained by these ten. Several chains that had net losses from 1988 to 1989 include Travelodge with 2,800 less rooms; Rodeway Inns with 1,000 less rooms and Friendship Inns with 700 less rooms. Also, regional chains sold properties or converted properties to one of the above mentioned 10 chains such as Envoy Inns — which sold several properties to Motel 6 in 1989 — and Imperial Inns — which converted a majority of its properties to Econo Lodge and Quality International brands. These occurrences, in effect, did not create new rooms, but only rearranged them.

Exhibit A

Ten Fastest-Growing Chains in 1989

(Ranked by Number of Rooms Opened in 1989)

Chain	Opened as of January 1, 1989		Opened as of January 1, 1990		Increase in the # of Rooms
	# of Properties	# of Rooms	# of Properties	# of Rooms	
Comfort Inns	488	44,600	589	53,700	9,100
Days Inns (1)	544	69,000	621	77,600	8,600
Motel 6	452	51,600	522	59,900	8,300
Econo Lodges	466	38,000	560	44,600	6,600
Super 8 Motels	574	36,000	672	42,200	6,200
Hampton Inns	184	23,000	212	26,600	3,600
Fairfield Inns	18	2,400	44	5,900	3,500
National 9	105	5,800	137	7,400	1,600
Red Roof Inns	194	21,500	204	22,700	1,200
Signature Inns	25	3,000	32	3,900	900

(1) Represents only those properties with an average daily rate of $40 or less and does not include entire chain.

Source: Lavenhol & Horwath Survey

Ten chains exceeded, met or came close to their one-year development forecasts, as Exhibit B (page 4) illustrates. Econo Lodge, La Quinta and Shilo Inns opened more rooms than expected. Drury Inns, Signature Inns and Shoney's met expectations. Comfort Inns, Motel 6, Budgetel Inns and Fairfield Inns just missed their forecasts.

The chains in Exhibit C (page 4) were overly optimistic when they projected additions in 1989. Nine of the 11 chains are primarily franchise-driven. Their franchises may not have been able to obtain financing or the necessary conversion candidates.

New Faces

After scanning the top 50 list, you may have noticed some new additions and the absence of old ones. There are five new chains on the list: Admiral Benbow Inns, Microtel, AmericInns, Heartland Inns and Carlton Lodges.

Admiral Benbow Inns has been around for many years, but was overlooked. It ranks as number 29.

Microtel, the original hard budget concept, debuts as number 44 with an expected 16 properties and 1,600 rooms scheduled to be open by the end of 1990.

AmericInn, a small chain based in St. Cloud, Minnesota, arrives on the Top 50 list as number 46. This chain has the lowest average number of rooms per property — 39 — and concentrates its development in small town rural America.

Exhibit B

Exceeded, Met Or Close To Development Projections

	Expected to be Opened as of 12/31/89		Opened as of As of 1/1/90		Exceeded, Met or Close to One-Year Projections	
Chain	# of Properties	# of Rooms	# of Properties	# of Rooms	# of Properties	# of Rooms
Econo Lodge	551	43,700	560	44,600	9	900
La Quinta	209	25,700	207	26,400	(2)	700
Shilo Inn	39	3,700	42	4,100	3	400
Drury Inn	52	6,000	55	6,000	3	–
Signature Inn	32	3,900	32	3,900	–	–
Shoney's Lodging	55	6,100	54	6,100	(1)	–
Comfort Inn	590	53,800	589	53,700	(1)	(100)
Motel 6	525	60,000	522	59,900	(3)	(100)
Budgetel Inn	72	7,500	74	7,300	2	(200)
Fairfield Inn	46	6,200	44	5,900	(2)	(300)

Source: Laventhol & Horwath Survey, 1989 and 1990

Exhibit C

Didn't Meet Development Projections

	Expected to be Opened by 12/31/89		Opened As of 1/1/90		Under One-Year Projections by More Than 800 Rooms	
Chain	# of Properties	# of Rooms	# of Properties	# of Rooms	# of Properties	# of Rooms
Travelodge	592	50,900	434	34,600	(158)	(16,300)
Rodeway Inns	217	25,500	160	19,000	(57)	(6,500)
Days Inns (1)	674	81,600	621	77,600	(53)	(4,000)
Hospitality International	365	29,500	300	25,600	(65)	(3,900)
Country Hospitality Inn	35	3,400	12	1,100	(23)	(2,300)
Vagabond Inn	59	5,700	43	3,700	(16)	(2,000)
Friendship Inn	135	7,400	120	6,000	(15)	(1,400)
Super 8 Motels	689	43,500	672	42,200	(17)	(1,300)
Sleep Inns	12	1,200	3	200	(9)	(1,000)
Red Roof Inn	212	23,600	204	22,700	(8)	(900)
Hampton Inn	218	27,400	212	26,500	(6)	(900)

(1) Represents only those properties and rooms with an average daily rate of $40 or less.

Heartland Inns registers in as number 48. With a name like Heartland, you know it had to have originated in the Midwest, specifically Iowa.

Carlton Lodges muscled its way on the list at number 50. Based in Merrillville, Indiana, this concept is an upper-tier economy/limited-service product serving an expanded continental breakfast and offering a combination indoor/outdoor pool.

Chains that slipped off this year's list include Ha'Penny Inns, which has not responded in two years. Envoy Inns did not make the required cutoff, nor did Imperial Inns. Motel 6 recently purchased remnants of Texian Inns. Journey's End would have made the list, but the information was received too late for inclusion and contained the entire chain and not just the U.S. properties.

The chains on the top 50 list expected to have the greatest increase in ranking from 1989 to 1990 (according to their forecasts), are Sleep Inns, which will rise 12 places; Country Hospitality Inns, 10 places; Downtown/Passport, eight places; and Microtel and Fairfield Inns, six places.

The chains expected to have the greatest decline, compared with 1989 rankings, are McIntosh Motor Inn, which will fall seven places and Heartland Inn, Roadstar Inn and Best Inns, all dropping five places. Best Inns is still building new properties. Three properties are currently under construction, while four of their existing franchised properties converted to another national franchise affiliation in February.

Continued Growth

Exhibit D lists the 10 chains expected to add the most rooms this year. Days Inns recaptured the top spot as the leader in adding rooms. Nine of the 10 chains made the list last year. Rodeway Inns, which made the list last year with its forecast, did not make it this year. Rodeway was replaced by Sleep Inns, which slid in at number 10. Eight of

the 10 are primarily franchise organizations with one more, Fairfield Inns, poised to crank up franchising in 1990.

As illustrated in this exhibit, these 10 chains are expected to add 75 percent of all additional rooms in 1990 or 73,900 of the 98,600 rooms. Fifty percent of all of the 98,600 rooms will be conversions in 1990. This is the highest percentage of conversions ever and reflects the overall slow down in new construction within the lodging industry. In contrast, 16 chains do not expect to add additional rooms or will add a nominal amount — 2,000 rooms, all new construction.

Predictions

Last year I predicted:

■ Six chains would reach the lofty goal of being in all 50 states by the end of 1990. Two chains have reached that goal already: Days Inns and Super 8 Motels. I expect at least one more by the end of this year.

■ A new number one in the 1990s. I will go on record as stating that Comfort Inn will overtake Motel 6 and Days Inn by 1991 and 1994, respectively. Days Inns has held the top spot since this survey's inception. Only their Daystops may keep them in first place.

Exhibit D

1990's Ten Fastest Growing Chains
(Ranked by Number of Rooms Expected to Open in 1990)

Chain	Number of Rooms To be Added in 1990	Percent of Total Additional Rooms
Days Inns	19,300	19.8%
Travelodge	11,700	11.9
Comfort Inn	9,300	9.4
Super 8 Motels	8,100	8.2
Econo Lodge	7,400	7.5
Fairfield Inns	4,300	4.4
Motel 6	4,100	4.1
Hospitality International	3,900	3.9
Hampton Inns	3,400	3.4
Sleep Inns	2,400	2.4
	73,900	75.0

Source: Laventhol & Horwath Survey

Exhibit E

Double Takes in The Economy/Limited-Service Segment

Parent Chain	Brand One	Brand Two
Tollman-Hundley Hotels	Days Inns	Regal Inns
Quality International	Comfort Inns	Sleep Inns
Econo Lodge	Econo Lodges	Friendship Inns
Trusthouse Forte Hotels	Travelodge	Thriftlodge
Hospitality International	Scottish Inns	Red Carpet
Cardinal Lodging Group	Knights Inns	Arborgate Inns
Prime Motor Inns, Inc.	Wellesley Inns	Rodeway Inns
L-K Motels, Inc.	L-K Motels	Country Hearth Inns

■ The Top 10 will include new entries in the 1990s. I predicted Fairfield Inns and Budgetel Inns would be permanent members. The timing: Fairfield Inns by 1991 and Budgetel Inns in 1995.

Double ownership or multiple brands in the Top 50 have proliferated the last few years with eight parent organizations now supporting at least two brands as shown in Exhibit E.

Look for the low-end, hard budgets of Sleep Inns, Microtel and ThriftLodge to grow, not as quickly as the chain executives believe, but they will become significant forces in the mid- to late-1990s. They will accomplish this by attracting a new breed of franchises and developers in the lodging fold from other entrepreneurial businesses and by enticing existing franchises from more mature, existing economy franchised companies. Their hook will be a lower cost of entry with a more high-tech, modern look and the absence of impact considerations among franchises as the mature chains run-up against this as each year passes.

Methodology

The sixth annual listing of top 50 economy/limited-service lodging chains was compiled as follows:

In late January, Laventhol & Horwath mailed surveys to all the known economy/limited-service chains. L&H also confirmed the chain-provided data through review of chain directories and other secondary sources.

As a result of this approach, the list will be used as the benchmark and scorecard for the chains for all future comparisons.

The chains are ranked by number of rooms. The 1989 rank reflects each respective chain's number of rooms that were open as of January 1, 1989. The 1990 rank includes the projected number of rooms that will open by December 31, 1990.

All chains were asked to provide the number of properties and rooms that were under development or construction and were anticipated to be open by December 31, 1990. This will provide a benchmark for comparing each year as of a specific date, as well as a check to see how well the various chains met their future growth forecast. Finally, it will serve as a vehicle by which to compare data in the years to come.

Top 50 Economy/Limited-Service Lodging Chains

(Ranked by the number of rooms expected to be open by December 31, 1990)

Rank 1989	Rank 1990	Chain Name/ Headquarters Location	Ownership Structure: Percent Company	Ownership Structure: Percent Franchised	As of January 1, 1990: Number of Properties	As of January 1, 1990: Number of Rooms	Expected to be opened by December 31, 1990: Number of Properties	Expected to be opened by December 31, 1990: Number of Rooms	Average Rooms Per Property	Estimated 1989 Annual: Occupancy Range	Estimated 1989 Annual: Average Daily Rate	Geographic Areas	Published Rate Ranges: Single	Published Rate Ranges: X-Person
1	1	Days Inns of America (1) John Snodgrass, Executive Vice President 2751 Buford Highway N.E. Atlanta, Ga 30324 (404) 325-4000; 800-325-2525	1%	99%	621	77,600	833	96,900	116	60-65%	$35-40	National	$28-40	$4-10
2	2	Motel 6, L.P. Joseph W. McCarthy President & CEO 14651 Dallas Parkway Dallas, Texas 75240 (214) 386-6161; 505-891-6161	100%	0%	522	59,900	560	64,000	114	75-80%	$25-30	National	$17.95-29.95	$6
3	3	Comfort Inns Frederick W. Mosser, Senior Vice President 10750 Columbia Pike Silver Springs, Maryland 20901 (301) 236-5093; 800-228-5150	0%	100%	589	53,700	691	63,000	91	65-70%	$40-45	National	$35-50	$4-6
4	4	Econo Lodges of America Jeffrey T. Williams Senior Vice President, Development 6135 Park Road, Suite 200 Charlotte, North Carolina 28210 (704) 554-0088; 800-55-ECONO	0%	100%	560	44,600	662	52,000	79	65-70%	$35-40	National	$20-75	$3-5
5	5	Super 8 Motels, Inc. Joan Ganje-Fischer Vice President, Corporate Relations 1910 Eighth Avenue, N.E. Aberdeen, South Dakota 57401-3207 (605) 225-2272; 800-843-1960	6%	94%	672	42,200	797	50,300	63	65-70%	$30-35	National	$22.88-54.88	$4-5
6	6	TraveLodge Barry L. Conrad, President & CEO 1973 Friendship Drive El Cajon, California 92020 (619) 448-1884; 800-255-3050	40%	60%	434	34,600	564	46,300	82	NOT PROVIDED	$35-40	National	$20-72	$3-5
7	7	Hampton Inns, Inc. Raymond E. Schultz President & CEO 6799 Great Oaks Road, Suite 100 Memphis, TN 38138-2571 (901) 756-2811; 800-HAMPTON	15%	85%	212	26,500	238	29,900	126	68-73%	$40-45	National	$32.75	$5-8
9	8	Hospitality International, Inc. Richard H. Rogers President 1152 Spring Street, Suite A Atlanta, Georgia 30309 (404) 873-5924; 800-247-4677	0%	100%	300	25,600	365	29,500	81	65-70%	$35-40	National, except the UM	$25-40	$5
8	9	LaQuinta Motor Inns David Davies Executive Vice President & COO P.O. BOX 790064 San Antonio, Texas 78279-0064 (512) 366-6054; 800-531-5900	97%	3%	207	26,400	217	27,900	127	65-70%	$35-40	National, except the NE	$35-69	$6
10	10	Red Roof Inns, Inc. Richard L. Bibart, President & CEO 4355-Davidson Road Hilliard, Ohio 43026 (614) 876-3200; 800-THE-ROOF	100%	0%	204	22,700	214	23,900	112	NOT PROVIDED	NOT PROVIDED	National, except the UM, LM, P	$23.95-52.95	$6
12	11	Knights Inn Lyndia Blue, Vice President 2255-Kimberly Parkway East Columbus, Ohio 43232 (614) 755-6230; 800-282-7511	0%	100%	167	18,800	197	20,900	106	60-65%	$30-35	MA, USA, SA, ENC, ESC	$26.50-44.95	$6

(1) As of January 1, 1990 Days Inns had 951 properties opened with 120,725 rooms. The 621 properties opened as of January 1, 1990 represent an ADR of $40 or less.

Geographic Areas Legend

Region	States	Region	States	Region	States
New England (NE)	ME; NH; VT; MA; CT; RI	East North Central (ENC)	IL; IN; OH; MI; WI	Upper Mountain (UM)	CO; ID; MT; UT; WY
Mid-Atlantic (MA)	NY; NJ; PA	East South Central (ESC)	AL; KY; MS; TN	Lower Mountain (LM)	AZ; NV; NM
Upper South Atlantic (USA)	MD; DE; WV; VA	West North Central (WNC)	IA; KS; MN; MO; NE; ND; SD	Pacific (P)	AK; CA; HI; OR; WA
South Atlantic (SA)	FL; GA; NC; SC	West South Central (WSC)	AR; LA; OK; TX		

Top 50 Economy/Limited-Service Lodging Chains

(Ranked by the number of rooms expected to be open by December 31, 1990)

Rank 1989	Rank 1990	Chain Name/ Headquarters Location	Ownership Structure: Percent Company	Ownership Structure: Percent Franchised	As of January 1, 1990: Number of Properties	As of January 1, 1990: Number of Rooms	Expected to be opened by December 31, 1990: Number of Properties	Expected to be opened by December 31, 1990: Number of Rooms	Average Rooms Per Property	Estimated 1989 Annual: Occupancy Range	Estimated 1989 Annual: Average Daily Rate	Geographic Areas	Published Rate Ranges: Single	Published Rate Ranges: X-Person
11	12	Rodeway Inns International Sam P. Apostle President & CEO 700 Route 46 East Fairfield, New Jersey 07004-2700 (201) 256-9030; 800-228-2000	1%	99%	160	19,000	172	20,500	119	55-60%	$35-40	National, except the NE	$30-42	$5
19	13	Fairfield Inn by Marriott Michael Ruffer, Executive Vice President One Marriott Drive, Dept. 843.01 Washington, DC 20058 (301) 571-8500; 800-228-2800	98%	2%	44	5,900	78	10,200	131	70-75%	$35-40	National, except the WSC & UM	$29.95-42.95	$6
14	14	National 9 Inns Rod Jensen, President 2285 S. Main, Suite 9 Salt Lake City, Utah 84115 (801) 466-9820; 800-524-9999	4%	96%	137	7,400	187	9,400	50	66-71%	$35-40	SA,WSC, UM, LM, P	$24-34	$4-6
13	15	Allstar Inns Edward J. Gallagher, President 2020-De La Vina Street Santa Barbara, California 93130-3070 (805) 687-3383; No 800 Number	100%	0%	73	7,800	76	8,100	107	70-75%	$27-32	WSC, LM, P	$20-33	$6
15	16	Budgetel Inns, Inc. Dale Nichols Vice President-Marketing 212 W. Wisconsin Avenue Milwaukee, Wisconsin 53203 (414) 274-0391; 800-4-BUDGET	80%	20%	74	7,300	80	7,900	99	75-80%	$35-40	NE, MA, SA, ENC, ESC, WNC, WSC	$27.95-39.95	$6
17	17	Friendship Inns Abigail Mayer-Reece Senior Vice President & COO 6135 Park Road, Suite 304 Charlotte, North Carolina 28210 (704) 552-9131; 800-453-4511	0%	100%	120	6,000	135	6,800	50	NOT PROVIDED	$25-30	National	$20-50	$4-6
16	18	Shoney's Lodging Inc. James Grout, Vice President-Lodging 1727-Elm Hill Pike Nashville, TN 37210 (615) 391-5201; 800-222-2222	0%	100%	54	6,100	59	6,700	113	60-65%	$35-40	USA, SA, ENC, ESC, WNC, WSC	$31-57	$5-6
18	19	Drury Inns, Inc. Chuck Drury, President 10801 Pear Tree Lane St. Ann, Missouri 63074 (314) 429-2255; 800-325-8300	96%	4%	55	6,000	59	6,600	111	NOT PROVIDED	NOT PROVIDED	ENC, ESC WNC, WSC, UM	$30-64	$4-8
20	20	Regal Inn Monty D. Hundley, President 730 Fifth Avenue, Suite 1200 New York, New York 10019 (212) 489-8970; 800-851-8888	100%	0%	53	5,500	58	6,000	104	63-68%	$24-29	SA, ENC, ESC, WNC, WSC, UM, LM	$24.88-31.88	$4-6
24	21	Vagabond Inns Tom Evans, President 6170 Cornerstone Court East San Diego, California 92121 (619) 455-1800; 800-522-1555	100%	0%	43	3,700	55	4,900	89	60-65%	$43-47	LM & P	$20-95	$5
22	22	Shilo Inns Mark S. Hemstreet, Owner 11600 S. W. Barnes Road Portland, Oregon 97225 (503) 641-6565; 800-222-2244	100%	0%	42	4,100	47	4,500	97	NOT PROVIDED	$50-55	SA, WSC, UM, LM, P	$38-125	$6-10
21	23	Chalet Susse International, Inc. Fred B. Roedel, President Chalet Drive Wilton, New Hampshire 03086 (603) 654-2000; 800-258-1980	82%	18%	41	4,300	43	4,500	105	67-72%	$40-45	NE, MA, USA, SA	$40.70-45.70	$4
23	24	Signature Inns, Inc. John D. Bontreger, President 8335 Allison Pointe Trail, Suite 300 Indianapolis, Indiana 46250 (317) 577-1111; 800 822-5252	100%	0%	32	3,900	32	3,900	122	NOT PROVIDED	NOT PROVIDED	ENC, ESC, WNC	$40-45	$6

Top 50 Economy/Limited-Service Lodging Chains

(Ranked by the number of rooms expected to be open by December 31, 1990)

Rank 1989	Rank 1990	Chain Name/ Headquarters Location	Ownership Structure: Percent Company	Ownership Structure: Percent Franchised	As of January 1, 1990: Number of Properties	As of January 1, 1990: Number of Rooms	Expected to be opened by December 31, 1990: Number of Properties	Expected to be opened by December 31, 1990: Number of Rooms	Average Rooms Per Property	Estimated 1989 Annual: Occupancy Range	Estimated 1989 Annual: Average Daily Rate	Geographic Areas	Published Rate Ranges: Single	Published Rate Ranges: X-Person
25	25	Travelers Inn Jack B. Campbell, President 2701 E. Chapman Avenue, Suite 210 Fullerton, California 92631 (714) 773-0555; 800-633-8300	100%	0%	26	3,500	29	3,900	134	68-73%	$25-30	WSC, UM, LM, P	$20-40	$4
27	26	E-Z 8 Motels, Inc. William S. Bannasch, President 7484 Hotel Circle Place San Diego, California 92108 (619) 291-4824; No 800 Number	100%	0%	34	3,300	36	3,600	99	75-80%	$28-33	LM & P	$19.88-35.88	$3
26	27	L-K Motels/Country Hearth Inns Ronald L. Devine, President P.O. BOX 546 Marion, Ohio 43302 (614) 387-0300; L-K: 800-282-5711 Country Hearth: 800-848-5767	90%	10%	56	3,300	59	3,400	57	60-65%	$35-40	SA & ENC	$30-48	$6
28	28	Exel Inns of America, Inc. David G. Stauffacher, President 4706 East Washington Avenue Madison, Wisconsin 53704 (608) 241-5271; 800-356-8013	100%	0%	28	3,200	28	3,200	116	60-65%	NOT PROVIDED	ENC, WNC, WSC	$24-44	$6
34	29	Admiral Benbow Inns of America T. Jack Hurt, President 2160-Kingston Court, Suite N Marietta, Georgia 30067 (404) 952-9145; 800-451-1986	0%	100%	20	2,500	26	3,200	123	55-60%	$35-40	SA, ENC, ESC, WSC, P	$35	$7
38	30	Downtowner/Passport International Terry E. Graham, President 454 Moss Trail Goodlettsville, TN 37072 (615) 859-4522; 800-238-6161	0%	100%	29	1,900	49	3,100	64	60-65%	$30-35	USA, SA, ESC, WSC	$28.50-48.5	$5
41	31	Country Hospitality Inns Michael Squires Senior Vice President-Development Carlson Parkway, P.O. BOX 59159 Minneapolis, Minnesota 55459-8203 (612) 449-1300; 800-456-4000	0%	100%	12	1,100	37	3,100	84	65-70%	$50-55	SA, ENC, WNC, UM	$40-80	$5
29	32	Family Inns of America (2) Karen A. Seaton, Executive Adm. Assistant P.O. BOX 10 Pigeon Forge, TN 37863 (615) 453-1240; 800-251-9752	70%	30%	34	3,100	34	3,100	91	NOT PROVIDED	NOT PROVIDED	ESC & SA	$15.77-[illegible]	$3-5
30	33	Arborgate Inns Lyndia Blue, Vice President 2255-Kimberly Parkway East Columbus, Ohio 43232 (614) 755-6230; 800-282-7511	0%	100%	39	3,000	39	3,000	77	60-65%	$30-35	MA, USA, SA, ENC, ESC	$26.50-44.95	$6
36	34	Wellesley Inns by Howard Johnson David A. Simon, President & CEO Prime Motor Inns, Inc. 700 Route 46 East Fairfield, New Jersey 07007 (201) 882-1010; No 800 Number	27%	73%	22	2,200	30	3,000	100	NOT PROVIDED	$40-45	NE, MA, USA, SA	$39-79	$5-10
31	35	Cross Country Inns, Inc. Thomas F. Benadum, President 6077-Frantz Road Dublin, Ohio 43017 (614) 766-0037; 800-621-1429	100%	0%	25	3,000	25	3,000	120	NOT PROVIDED	NOT PROVIDED	ENC	$29.95-34.95	$7
32	36	Economy Inns of America Kathleen Lathrum, Marketing Director 755-Raintree Drive Carlsbad, California 92009 (619) 438-6661; FL: 800-423-3018 US: 800-826-0778	100%	0%	22	2,500	24	2,700	114	63-67%	$30-35	SA & P	$19-60	$2-10
49	37	Sleep Inns David C. Elmore, Vice President Quality International 10750-Columbia Pike Silver Springs, Maryland 20901 (301) 236-5052; 800-62-SLEEP	0%	100%	3	200	29	2,600	89	NOT PROVIDED	$30-35	SA, UM, LM	$29-40	$4-6

(2) Did not respond in time for the survey, utilized estimates from previous year and directory information.

Top 50 Economy/Limited-Service Lodging Chains

(Ranked by the number of rooms expected to be open by December 31, 1990)

Rank 1989	Rank 1990	Chain Name/ Headquarters Location	Ownership Structure: Percent Company	Ownership Structure: Percent Franchised	As of January 1, 1990: Number of Properties	As of January 1, 1990: Number of Rooms	Expected to be opened by December 31, 1990: Number of Properties	Expected to be opened by December 31, 1990: Number of Rooms	Average Rooms Per Property	Estimated 1989 Annual: Occupancy Range	Estimated 1989 Annual: Average Daily Rate	Geographic Areas	Published Rate Ranges: Single	Published Rate Ranges: X-Person
33	38	Best Inns of America Lynn Brewer Vice President-Franchise & Development Route 3, P.O. BOX 1719 Marion, Illinois 72959-7719 (618) 997-5454; 800-237-8466	26%	74%	25	2,600	25	2,600	104	73-79%	$35-40	SA, ENC, ESC, WNC, WSC	$25.88-39.88	$5
35	39	Cricket Inns Carl Winston, Vice President 10992 San Diego Mission Road, Suite 300 San Diego, California 92108 (619) 563-9501; 800-672-1808	90%	10%	19	2,400	19	2,400	129	65-70%	$30-35	USA, SA, ESC	$32	$7
37	40	Dillon Inns Robert M. Wagner, President & CEO 900-East 79th Street Minneapolis, Minnesota 55420 (612) 854-2885; 800-253-7503	100%	0%	16	2,000	17	2,200	127	60-65%	$38-43	ENC, WNC, WSC, UM	$41-71	$6
42	41	Lees Inns of America, Inc. Lester Lee, President 130-North State Street North Vernon, Indiana (812) 346-5072; 800-733-5337	100%	0%	14	1,000	22	1,700	77	NOT PROVIDED	$45-50	ENC	$42-44	$6
47	42	Wilson Inn Kemmons Wilson, President 1629-Winchester Road Memphis, TN 38116 (901) 346-8800; 800-333-9457	100%	0%	7	800	15	1,700	111	58-63%	$33-38	SA & ESC	$29.95-39.95	$5
45	43	Select Inns Calvin H. Webb, Executive Vice President P.O. BOX 9080 Fargo, North Dakota 58106 (701) 281-0140; 800-641-1000	67%	33%	9	900	16	1,600	103	60-65%	$22-27	WNC	$21.85-25.95	$3
50	44	Microtel George R. Justus Senior Vice President One Airport Way, Suite 200 Rochester, New York 14624 (716) 436-6000; No 800 Number	1%	99%	1	100	16	1,600	100	80-85%	$25-30	SA, MA, ENC, ESC	$24.95-32.95	$4
39	45	Roadstar Inns Mildred Everson, Operations Director 2815-W. Beltline Hwy. Madison, Wisconsin 53713 (608) 273-9830; No 800 Number	89%	11%	14	1,300	15	1,400	93	NOT PROVIDED	$30-35	ENC & WNC	$27.50-37	$6
44	46	Americinn International Rodney L. Lindquist, President 1501-Northway Drive St. Cloud, Minnesota 56302 (612) 252-6034; 800-634-3444	0%	100%	23	900	33	1,300	39	65-70%	$40-45	ENC, WNC, UM	$32.36	$6
40	47	McIntosh Motor Inns, Inc. John S. Middleton, President 440-Feheley Drive King of Prussia, PA 19406 (215) 279-6000; No 800 Number	100%	0%	10	1,200	11	1,300	118	NOT PROVIDED	NOT PROVIDED	MA	$31.95-39.95	$6-7
43	48	Heartland Inns Stephen D. Knapp Director of Operations P.O. BOX 1618 Waterloo, Iowa 50704 (319) 277-3510; 800-334-3277	100%	0%	12	1,000	16	1,200	72	62-67%	$32-37	WNC	$32-35	$6
46	49	Cypress Inns Bing Harris, President 8315 S.E. Stark Street Portland, Oregon 97216 (503) 252-1478; No 800 Number	100%	0%	8	800	11	1,100	98	73-78%	$43-48	P	$43	$5
48	50	Carlton Lodge, Inc. Jerald J. Good, President 1000-East 80th Place Merrillville, Indiana 46410 (219) 736-0288; 800-44-LODGE	100%	0%	6	700	10	1,100	105	65-70%	$50-55	ENC	$45-50	$7
		Totals			5,932	568,100	7,090	666,700	96					

Note: Number of rooms has been rounded to the nearest 100.

DATA ANALYSIS

by Nina J. Hayes & William R. Evans
Research Division
Laventhol & Horwath
Executive Office

U.S. Economy/Limited-Service Lodging Industry 1990 is Laventhol & Horwath's tenth annual in-depth analysis of this industry. Since its inception, this lodging report has been recognized as one of the most authoritative sources of information available on the economy/limited-service lodging industry.

This study provides a statistical analysis of the industry's operating characteristics for the preceding year and is useful in analyzing trends in revenue and expenses over successive time periods. The ratios and amounts reported may be used for comparing operating results for properties with similar characteristics. These operating results should be used as a statistical base for comparative purposes only. They are not an attempt by L&H to set or conform prices or operating ratios for the economy/limited-service lodging industry.

All data and information in this report are based on a representative sample of economy/limited-service lodging properties throughout the United States. Questionnaires were distributed to over 5,000 economy/limited-service properties; after careful analysis for reasonableness and accuracy, a representative sample of 265 properties was chosen to compile data for this study. These properties had total revenues exceeding $314 million in 1989.

Operating results are presented as medians, means and upper and lower quartiles. Results for each line item have been analyzed individually and are based only on those establishments providing data. Readers interested in a further explanation of medians and quartiles should refer to "Understanding Medians" on page 36. All terminology and account titles are derived from the *Uniform Systems of Accounts for Small Hotels and Motels*, published by the American Hotel & Motel Association (AH&MA).

"The economy segment is expected to be one of the strongest performers in the troubled lodging industry."

1989 Highlights

The growth of the economy/limited-service lodging industry continues to slow compared with the recent past. This trend is not limited to the economy segment. During 1990, we expect room starts for the entire lodging industry to drop over 40 percent from 1989. Scarce financing and unavailability of sites created this slow growth environment.

Despite its recent slow growth, we expect the economy segment to be one of the strongest performers in the troubled lodging industry. Although the economy lodging now accounts for only 19 percent of all rooms in the U.S. lodging industry, we foresee that 45 percent of all new rooms will be in the economy segment. Economy lodging continues to outperform its full-service competitors. Partially, this can be attributed to the absence of restaurants, plush lobbies and unprofitable amenities in economy properties, which allows for a lower break-even point than for full-service hotels.

It's important to understand the "typical" property participating in this study. 1989's average economy/limited-service property has over 125 rooms, an occupancy under 80 percent, an average room rate of $35.00 and annual sales over $1 million. There is no restaurant operation, although many limited-service properties provide a complimentary continental breakfast. (Properties with a separate food and beverage department are not analyzed in this report).

1989 Performance

In 1989, guest room rentals generated 92.6 percent of each dollar earned . This represents a 3.8 percent decrease from 1988, when room sales accounted for 98.1 percent. The remaining revenue consisted of 6.8 percent from minor-operated departments and rentals and other income, and 0.6 percent from telephone sales.

Payroll and related expenses continue to be the largest expense item, 23.7 percent. Interest expense was 17.1 percent, and depreciation exhausted 14.5 percent of each dollar received.

Overall, the economy segment's occupancy rate was 66.9 percent, a 3.7 percent increase from 1988 levels. Average room rates also rose to $34.13, a 6.9 percent increase. Examining the economy segment by region reveals that the South Central area of the United States continues to show the largest increase in occupancies, up 9.7 percent to 69.9 percent.

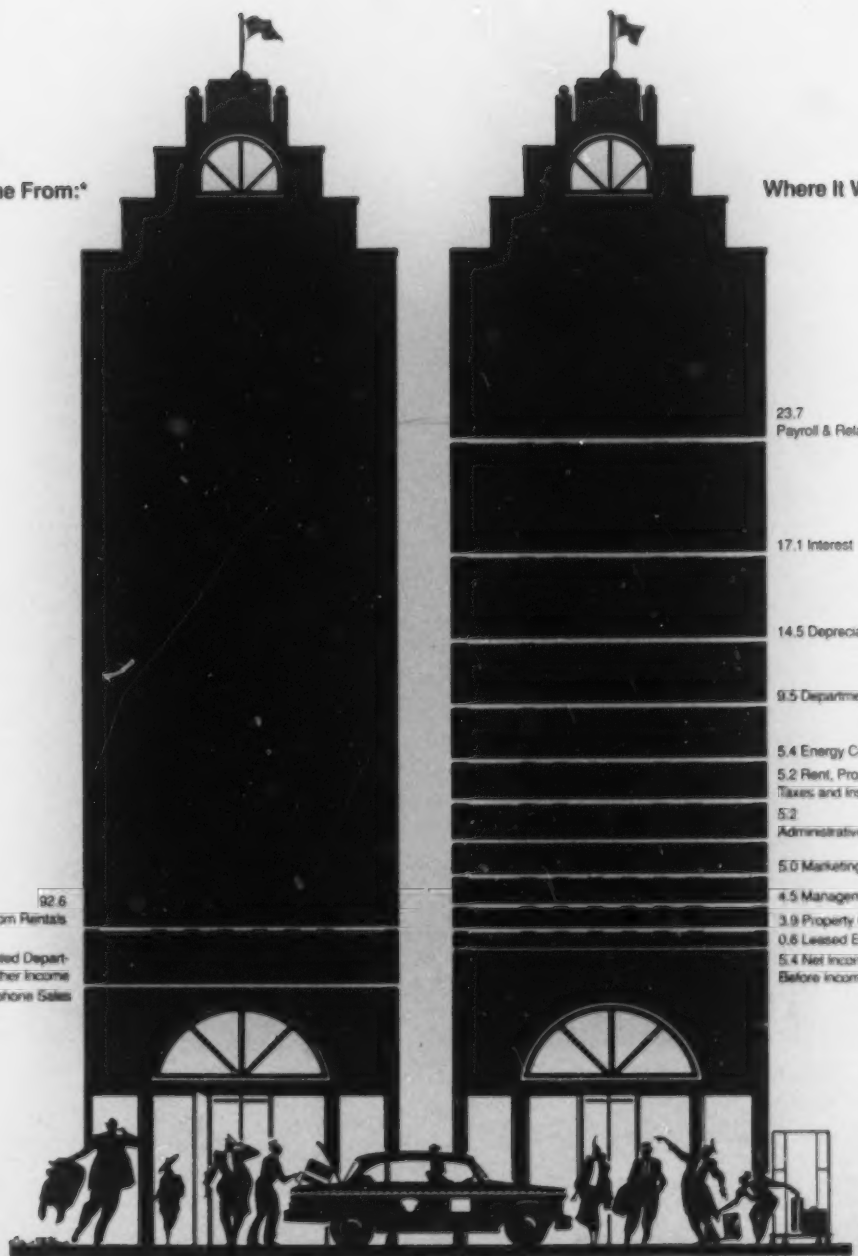
In 1989, economy hotels achieved a median profit before fixed charges of 42.5 percent of total sales. Full-service hotels showed a profit before fixed charges of only 24.4 percent. This difference is mainly due to full-service hotels' need for more non-income producing space, employees and services.

Economy properties operate with a minimum number of employees who perform various functions. Therfore, payroll and related expenses for an economy property are also less than those for a traditional hotel. Payroll and related expenses account for 23.7 percent of each economy lodging dollar, compared with 36.4 percent of each dollar spent by a standard property.

Outlook

Despite the transitional state of the U.S. hotel industry, the economy segment will continue to be a relatively bright spot. As stated, nearly half of all new construction is taking place in this segment. This is due largely to ecomomy lodging's relative profitability compared with other types of lodging facilities and its popularity with many travelers. Therefore, sales should improve while occupancies remain stable over the next year.

The U.S. Economy/Limited-Service Lodging Industry Dollar 1989



Where It Came From:*

92.6
Guest Room Rentals

6.8 Minor Operated Departments and Rentals and Other Income

0.6 Telephone Sales

Where It Went:*

23.7
Payroll & Related Expenses

17.1 Interest

14.5 Depreciation

9.5 Departmental Expenses

5.4 Energy Costs

5.2 Rent, Property Taxes and Insurance

5.2
Administrative and General

5.0 Marketing

4.5 Management Fees

3.9 Property Operation & Maintenance

0.8 Leased Equipment & Other Fixed Charges

5.4 Net Income Before Income Taxes

*Based on the weighted mean.

Chart 1
Technological Characteristics — Property Automation

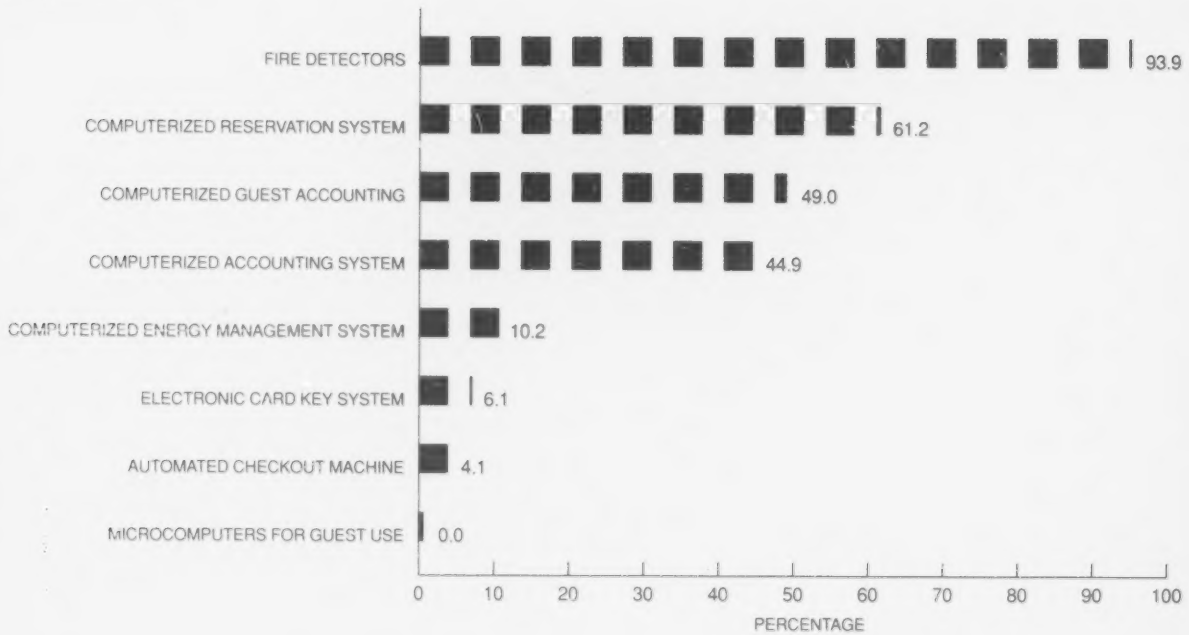


Chart 2
Technological Characteristics — Telecommunications

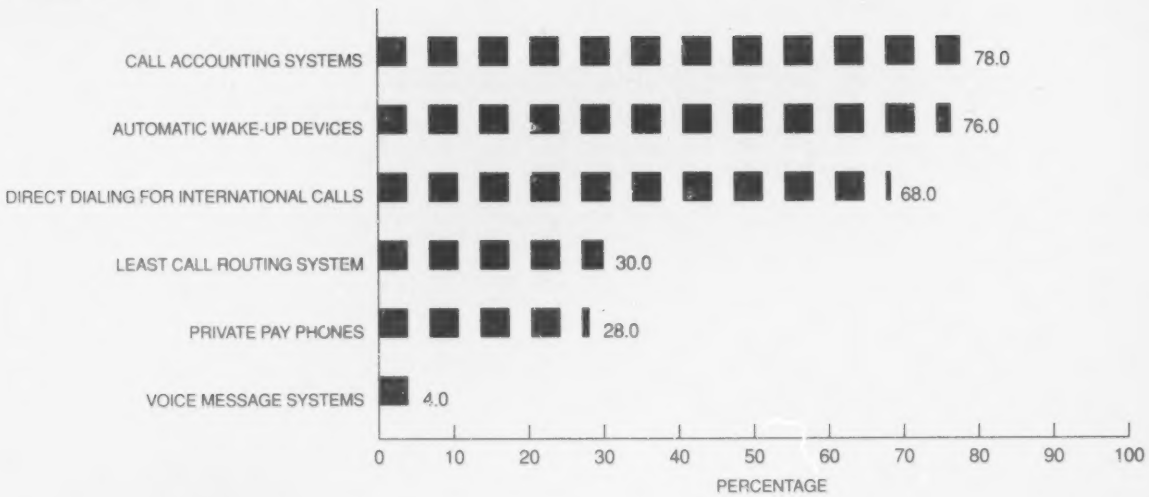


Chart 3
Technological Characteristics — In-Room Entertainment Systems

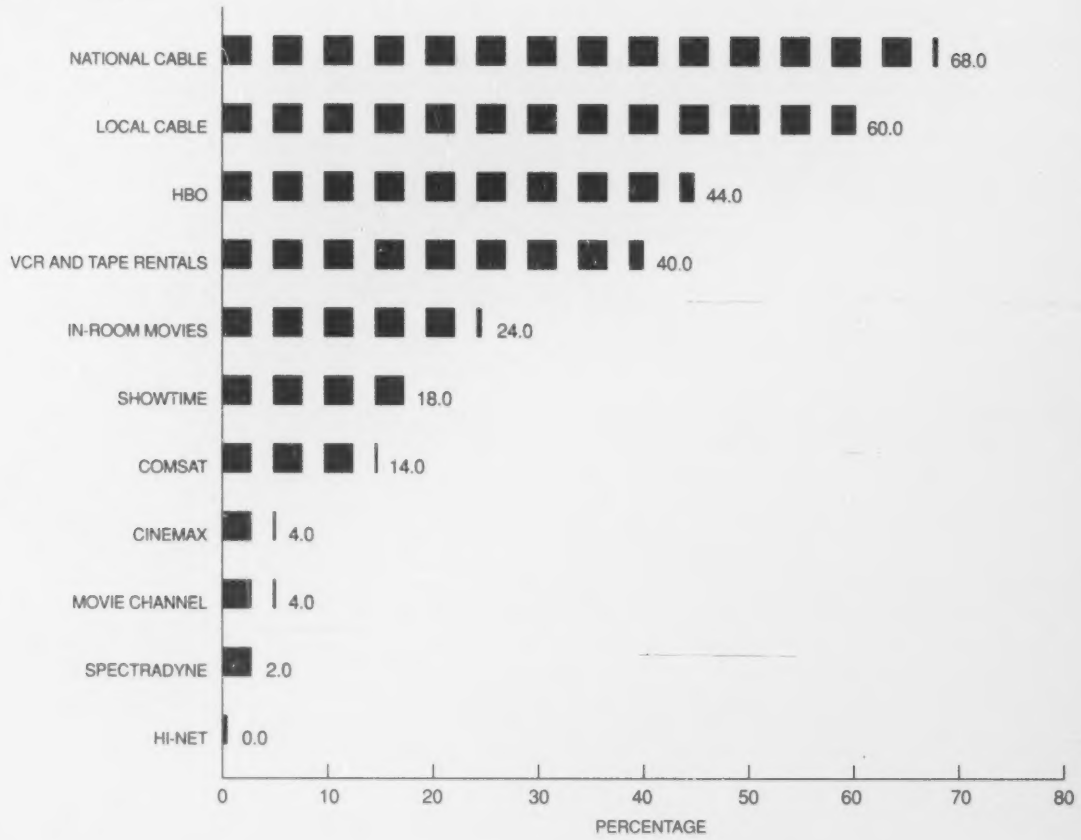


Exhibit 1
Profile of Contributors

Age		Room Rate	
Built Before 1980	68.3%	Under $30.00	31.0%
1980 to Present	31.7	$30.00-$34.99	25.9
		$35.00 & Over	43.1
Location		**Region***	
Center City	15.8%	East	5.2%
Suburban	32.1	North Central	15.1
Airport	13.6	South Central	50.0
Highway	31.4	West	29.7
Resort	1.1		
Not Reported	6.0		
Occupancy		**Size**	
Less than 60%	29.8%	Under 75 Rooms	17.2%
60-69%	28.7	75-99 Rooms	9.1
70-79%	28.3	100-125 Rooms	37.1
80% & Over	13.2	Over 125 Rooms	36.6
		Sales Volume	
		Under $250,000	2.3%
		$250,000-$499,999	6.8
		$500,000-$999,999	22.6
		$1,000,000 & Over	68.3

*East: CT, DE, DC, FL, GA, ME, MD, MA, NH, NJ, NY, NC, PA, RI, SC, VT, VA, WV.
North Central: IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI.
South Central: AL, AR, KY, LA, MS, OK, TN, TX.
West: AK, AZ, CA, CO, HA, ID, MT, NV, NM, OR, UT, WA, WY.

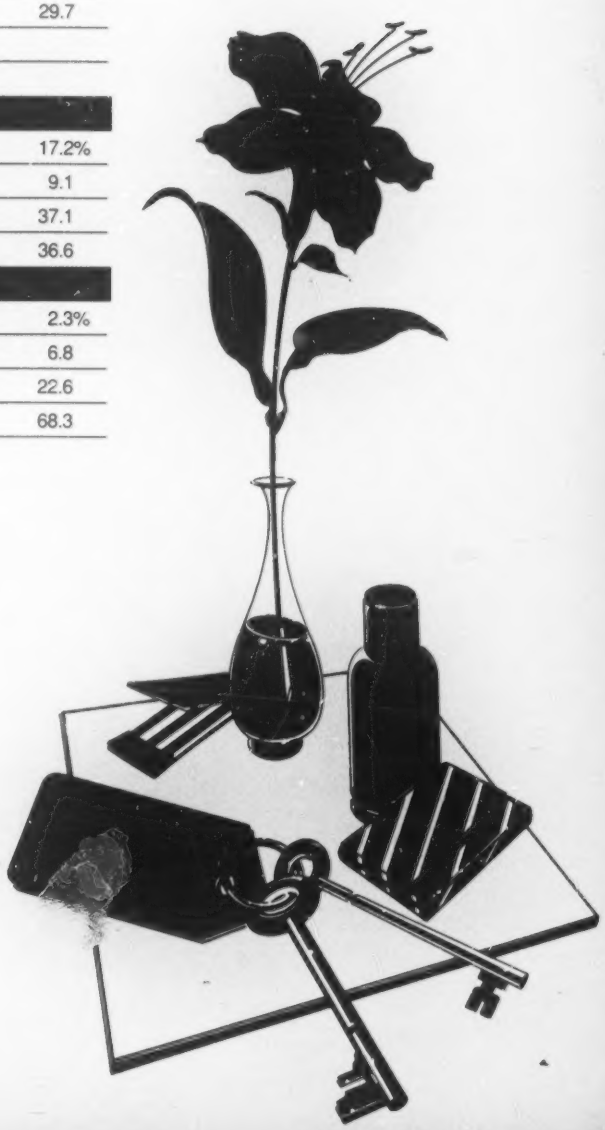


Exhibit 2

Market Data *

	All Establishments	Average Room Rate			Location of Property				
		Under $30.00	$30.00-$34.99	$35.00 & Over	Center City	Suburban	Airport	Highway	Resort
Percentage of Repeat Business	45.8%	47.1%	43.9%	45.9%	45.8%	39.7%	48.8%	68.0%	49.0%
Composition of Market									
Leisure	46.3%	40.8%	43.3%	51.3%	46.3%	40.2%	50.1%	70.0%	43.6%
Business/Government	41.9	36.9	46.2	42.7	41.9	43.3	40.1	22.5	44.4
Conference Participants	3.1	1.9	3.3	3.8	3.1	3.3	2.5	2.5	2.8
Other	8.6	20.4	7.2	2.2	8.6	13.2	7.2	5.0	9.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Advanced Reservations	38.1%	14.3%	39.2%	53.0%	38.1%	39.5%	44.3%	80.0%	29.2%
Composition of Advanced Reservations									
Direct Inquiry or Own Reservation System	69.7%	79.0%	68.0%	65.2%	69.7%	64.5%	65.7%	40.0%	77.5%
Independent Reservation System	1.6	1.8	2.3	1.1	1.6	3.2	0.0	0.0	2.0
Travel Agent or Tour Operator	16.3	11.1	19.9	17.3	16.3	24.7	17.3	10.0	12.2
Hotel Representative	10.1	7.2	5.8	13.9	10.1	3.5	15.8	50.0	5.2
Transportation Company	2.4	0.9	4.0	2.5	2.4	4.1	1.3	0.0	3.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* All amounts are means.

Exhibit 3

*Comparison of Sales and Profitability by Selected Criteria**

	Amount Per Room		
	Total Sales	Income/(Loss) Before Fixed Charges	Net Income/(Loss) Before Income Taxes
Age			
Built Before 1980	$9,659	$4,046	$300
Built 1980 and 1987	$9,827	$4,296	$120
Size			
Under 75 Rooms	$8,681	$3,648	$402
75-99 Rooms	$7,569	$3,197	$(75)
100-125 Rooms	$9,738	$3,885	$362
Over 125 Rooms	$9,913	$4,369	$60
Rate			
Under $30.00	$5,981	$1,746	$(126)
$30.00-$34.99	$8,554	$3,195	$(353)
$35.00 & Over	$10,556	$4,527	$569
Occupancy			
Under 60%	$7,651	$2,732	$(436)
60-69%	$9,676	$4,126	$312
70-79%	$11,310	$5,062	$1,192
80% & Over	$12,714	$5,871	$1,908
All Establishments	$9,702	$4,131	$273

* Based on arithmetic mean.

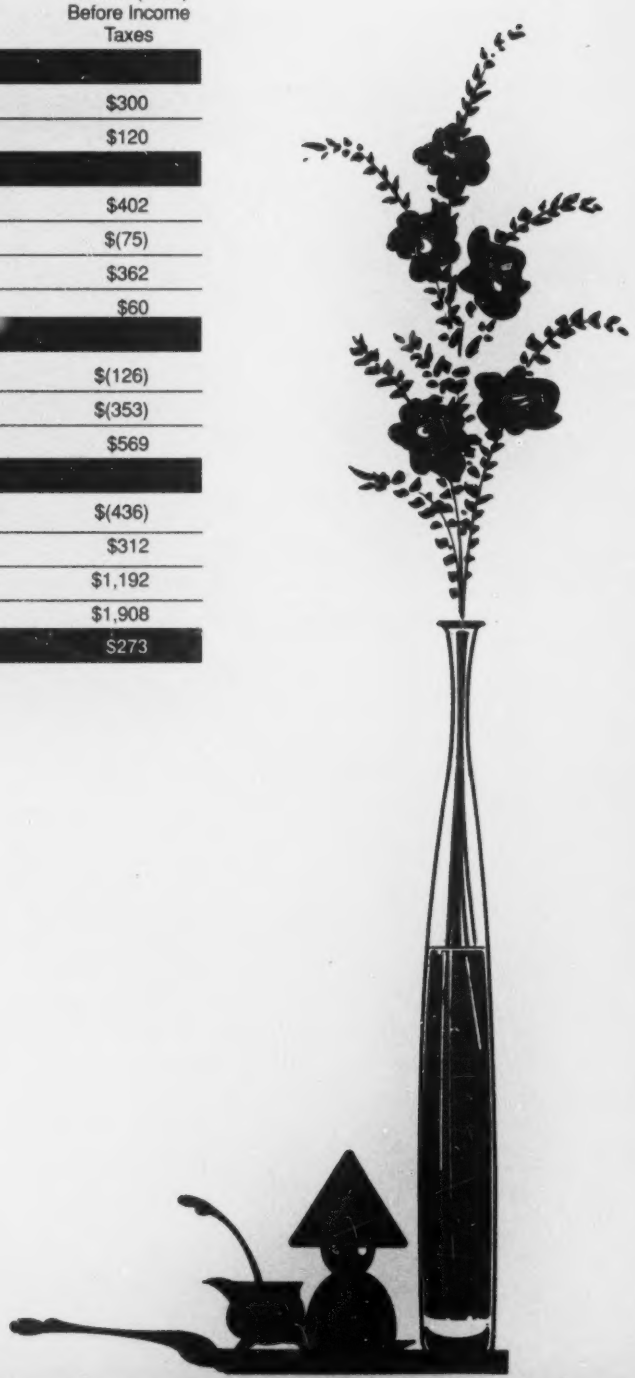


Exhibit 4

Occupancy and Average Rate

	Percentage of Occupancy		Average Room Rate	
	1989	1988	1989	1988
Age				
Built Before 1970	67.6%	59.2%	$32.60	$31.03
1970-1974	65.0	63.4	32.38	30.86
1975-1979	66.4	67.0	36.78	35.82
1980-1987	66.1	68.5	33.75	32.20
Size				
Under 75 Rooms	67.9%	59.0%	$30.25	$26.84
75-99 Rooms	67.5	72.6	30.29	30.28
100-125 Rooms	67.6	67.2	35.04	33.84
Over 125 Rooms	66.1	67.9	34.81	34.75
Location				
Center City	68.5%	59.5%	$34.84	$33.56
Suburban	66.1	64.7	35.54	36.64
Airport	70.3	67.9	35.79	35.91
Highway	64.9	66.5	30.78	27.66
Resort	**	67.4	**	41.61
Region				
Northeast	63.6%	67.1%	$38.66	$37.15
South	69.8	63.1	36.77	34.75
North Central	60.8	64.3	33.62	29.28
West	67.8	63.6	28.29	27.51
All Establishments	66.9%	64.4%	$34.13	$31.91

** Insufficient response.

"The economy segment's occupancy rate was 66.9 percent, a 3.7 percent increase from 1988 levels. Average room rates also rose to $34.13, a 6.9 percent increase."

Exhibit 5

*Composition of Sales **

	All Establishments	Location					Size of Property			
		Center City	Suburban	Airport	Highway	Resort	Under 75 Rooms	75-99 Rooms	100-125 Rooms	Over 125 Rooms
Rooms	94.6%	92.8%	93.5%	93.3%	92.4%	91.7%	94.2%	95.2%	93.0%	92.3%
Telephone	0.0	0.7	0.7	0.9	0.1	0.9	2.0	2.5	0.6	0.5
Minor Departments	2.6	1.9	1.5	1.8	2.4	1.8	0.1	0.3	1.9	2.2
Rentals & Other Income	3.1	4.5	4.2	3.9	5.0	5.4	3.5	2.1	4.6	4.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Based on arithmetic mean.

Exhibit 6

*Employee Statistics**

	All Establishments	Average Room Rate			Size of Property			
		Under $30.00	$30.00-$34.99	$35.00 and Over	Under 75 Rooms	75-99 Rooms	100-125 Rooms	Over 125 Rooms
Median Employees Per Property	15.0	13.0	14.0	23.5	10.0	15.0	19.0	28.5
Productivity Index	4.15	5.95	3.79	4.23	4.58	3.92	4.03	4.31
Total Sales Per Employee	54,637	39,912	42,482	70,900	39,911	31,038	58,864	72,973

*All amounts are median.

Exhibit 7

Rooms Department Expenses
*Per Occupied Room Per Day – By Occupancy**

	All Establishments	Occupancy			
		Under 60%	60-69%	70-79%	80% and Over
Payroll & Related Expenses	$7.41	$8.13	$7.28	$6.84	$7.09
Commissions & Reservation Expenses	0.23	0.22	0.22	0.23	0.32
Cleaning, Linen & Laundry	0.01	0.01	0.01	0.01	0.01
Operating Supplies	2.24	2.37	2.24	2.18	2.10
Other Operating Expenses	0.45	0.63	0.45	0.40	0.42
Total – 1989	$10.89	$1.91	$10.62	$10.15	$10.42

*All figures are medians and do not necessarily add to totals shown. Based on those supplying detail.

Exhibit 8
*Total Revenue vs. Total Payroll **

	Amount Per Room	
	Total Revenue	Total Payroll+
Age		
Built Before 1970	$9,665	$2,255
1970-1974	9,188	2,216
1975-1979	10,801	2,240
1980-1987	9,857	2,341
Size		
Under 75 Rooms	$8,681	$1,968
75-99 Rooms	7,569	2,183
100-125 Rooms	9,794	2,328
Over 125 Rooms	9,938	2,256
Rate		
Under $30.00	$5,981	$1,384
$30.00-$34.99	8,554	2,004
$35.00 & Over	10,556	2,319
Occupancy		
Under 60%	$7,685	$1,987
60-69%	9,677	2,239
70-79%	11,386	2,404
80% & Over	12,715	2,752
Region		
Northeast	$9,387	$2,192
South	8,349	2,173
North Central	10,117	2,295
West	9,962	2,354
All Establishments	$9,737	$2,282

* All amounts are medians and do not necessarily add to totals shown.
+Total payroll is based on cash payroll and employee benefits from all departments.

"Economy properties require less capital per project – from $2.0 million to $7.0 million on average."

Exhibit 9

Payroll and Related Expenses
*Per Occupied Room Per Day – By Occupancy**

		Occupancy			
	All Establishments	Under 60%	60-69%	70-79%	80% and Over
Rooms	$7.41	$8.13	$7.28	$6.84	$7.09
Minor-Operated Departments	0.40	0.43	0.39	0.38	0.39
Administrative & General	0.82	0.90	0.81	0.79	0.82
Marketing	0.41	0.23	0.39	0.39	0.39
Property Operation & Maintenance	0.80	0.86	0.77	0.76	0.76
Total – 1989	$9.82	$10.71	$9.66	$9.10	$9.36

*Based on those supplying detail.

Exhibit 10

Management Fees–All Establishments

	Lower Quartile	Median	Upper Quartile
Amount Per Room			
1989	$393	$486	$585
1988	332	430	545
Ratio to Total Sales			
1989	4.6%	4.8%	5.4%
1988	4.6	4.9	6.1

Exhibit 11

*Energy Costs Per Occupied Room Per Day – By Region**

	All Establishments	Region			
		Northeast	North Central	South	West
Fuel	0.34	**	0.53	0.34	0.32
Electricity	1.75	**	2.09	1.90	1.37
Water	0.33	**	0.34	0.36	0.30
Total – 1989	$2.15	$3.76	$2.39	$2.08	$2.17
Total – 1988	$2.01	$2.03	$1.89	$2.09	$1.98

*Based on arithmetic mean.
**Insufficient response.

Exhibit 12

*Analysis of Undistributed Operating Expenses – By Selected Criteria**

	All Establishments	Age of Property	
		Built Before 1980	1980-1987
Administrative & General			
Cost Per Room			
Payroll & Related Expenses	$197	$197	$197
Total Other Expenses	452	451	456
Total	$658	$655	$669
Ratio to Total Sales			
Payroll & Related Expenses	2.1%	2.1%	2.1%
Total Other Expenses	4.7	4.8	4.6
Total	6.8%	6.8%	6.7%
Marketing			
Cost Per Room – Total	$571	$572	$570
Ratio to Total Sales – Total	5.8%	5.8%	5.8%
Energy Costs			
Cost Per Room – Total	$521	$530	$505
Ratio to Total Sales – Total	5.4%	5.6%	5.0%
Property Operation & Maintenance			
Cost Per Room			
Payroll & Related Expenses	$192	$190	$195
Other Expenses	362	351	401
Total	$575	$551	$608
Ratio to Total Sales			
Payroll & Related Expenses	2.0%	2.0%	2.0%
Other Expenses	3.9	3.9	4.0
Total	5.9%	5.9%	5.9%

*All figures are medians and do not necessarily add to totals shown. Based on those supplying detail.

Exhibit 13

*Method of Payment For Services**

	Method of Payment		
	Cash	Credit Card	All Other Credit
Size			
Under 75 Rooms	38%	52%	10%
75-99 Rooms	54	41	5
100-125 Rooms	40	48	12
Over 125 Rooms	34	57	9
Location			
Center City	57%	33%	10%
Suburban	35	53	12
Airport	**	**	**
Highway	38	55	7
Resort	**	**	**
Rate			
Under $30.00	56%	37%	7%
$30.00-$34.99	36	49	15
$35.00 and Over	34	58	8
Sales Volume			
Under $250,000	**	**	**
$250,000-$499,999	44%	46%	10%
$500,000-$999,999	49	44	7
$1,000,000 & Over	31	57	11
All Establishments	41%	50%	9%

*Based on those supplying detail. All amounts are means.
**Insufficient response.

Exhibit 14

Statement of Income and Expenses
*Amount Per Available Room and Ratios to Total Sales–All Establishments**

	Amount Per Available Room	Ratios to Total Sales
Revenues		
Rooms	$9,097	94.0%
Telephone	236	2.8
Minor-Operated	230	2.4
Rentals & Other Income	323	3.3
Total	$9,741	100.0%
Department Expenses		
Rooms	$2,632	26.7%
Telephone	24	0.3
Minor-Operated	95	0.4
Rentals & Other Income	39	1.0
Total	$2,768	28.1%
Department Profit		
Rooms	$6,466	65.9%
Telephone	(21)	(0.2)
Minor-Operated	141	1.4
Rentals & Other Income	309	3.0
Total	$7,062	71.8%
Undistributed Operating Expenses – Administrative & General		
Payroll & Related	$197	2.1%
Other	453	4.7
Total	$659	6.8%
Marketing		
Payroll & Related	$97	1.0%
Other	473	4.8
Total	$572	5.8%
Energy Costs	$522	5.4%
Property Operations & Maintenance	$574	5.9%
Total Undistributed Operating Expenses	$4,605	47.0%
Income Before Management Fees	$2,387	25.0%
Management Fees (Base & Incentive)	486	4.8
Income Before Fixed Charges	$4,148	42.5%
Fixed Charges		
Rent	$338	4.7%
Property Taxes	326	3.5
Property Insurance	133	1.8
Interest	1,520	15.5
Depreciation & Amortization	147	1.6
Leased Equipment	6	0.1
Other	1,990	19.3
Total	$3,602	37.8%
Income Before Income Taxes	$307	3.4%

* All amounts are medians and do not necessarily add to totals shown.

Exhibit 15

*Statement of Income and Expenses–Amount Per Available Room**

	Age of Property	
	Built Before 1980	1980-1988
Annual Occupancy	67.5%	66.1%
Annual Room Rate	$36.96	$33.75
Revenues		
Rooms	$8,951	$9,398
Telephone	176	355
Minor-Operated	230	231
Rentals & Other Income	314	458
Total	$9,659	$9,857
Department Expenses		
Rooms	$2,605	$2,685
Telephone	25	24
Minor-Operated	95	97
Rentals & Other Income	44	**
Total	$2,745	$2,812
Department Profit		
Rooms	$6,401	$6,791
Telephone	-22	-20
Minor-Operated	144	140
Rentals & Other Income	294	458
Total	$6,851	$7,344
Undistributed Operating Expenses		
Administrative & General		
Payroll & Related	$197	$197
Other	451	456
Total	$655	$669
Marketing		
Payroll & Related	$95	$98
Other	475	460
Total	$572	$570
Energy Costs	$530	$505
Property Operation & Maintenance	$551	$608
Total Undistributed Operating Expenses	$4,474	$4,805
Income Before Management Fees	$2,387	$2,379
Management Fees (Base & Incentive)	484	493
Income Before Fixed Charges	$4,046	$4,291
Fixed Charges		
Rent	$400	$252
Property Taxes	301	381
Property Insurance	131	209
Interest	1,490	1,554
Depreciation & Amortization	156	**
Leased Equipment	5	6
Other	1,787	2,456
Total	$3,388	$4,135
Income Before Income Taxes	$300	$288

* All amounts are medians and do not necessarily add to totals shown.
** Insufficient response.

Size of Property				Average Room Rate		
Under 75 Rooms	75-99 Rooms	100-125 Rooms	Over 125 Rooms	Under $30.00	$30.00-$34.99	$35.00 & Over
67.9%	67.5%	67.6%	66.1%	67.5%	65.0%	67.6%
$30.25	$30.29	$35.04	$34.81	$23.96	$33.78	$39.71
$8,356	$7,454	$8,905	$9,251	$5,713	$7,870	$9,707
149	128	295	359	139	146	363
**	**	229	232	**	203	249
125	89	319	458	121	290	428
$8,681	$7,569	$9,733	$10,118	$5,981	$8,554	$10,556
$1,996	$2,389	$2,641	$2,663	$1,642	$2,417	$2,702
184	**	25	22	181	24	24
**	**	97	93	**	87	97
54	**	31	19	**	**	23
$2,114	$2,798	$2,765	$2,807	$1,833	$2,529	$2,867
$6,063	$5,139	$6,377	$6,709	$3,945	$5,546	$6,909
-38	10	-24	-20	-33	-20	-21
**	**	133	146	**	109	151
54	51	319	457	106	260	390
$6,136	$5,496	$6,948	$7,282	$4,090	$5,824	$7,620
$634	$321	$199	$194	$194	$187	$199
588	438	452	458	282	400	478
$865	$719	$659	$646	$472	$603	$679
**	**	$97	$95	**	$87	$98
305	**	496	463	216	405	499
$305	**	$588	$561	$238	$495	$588
$568	$673	$520	$511	$504	$508	$530
$336	$409	$574	$577	$403	$577	$577
$3,648	$3,197	$4,357	$4,934	$1,746	$3,493	$4,990
$2,590	$2,168	$2,468	$2,323	$1,730	$2,183	$2,493
**	**	496	480	188	426	509
$3,648	$3,197	$3,844	$4,429	$1,746	$3,195	$4,527
**	**	$203	$361	$529	**	$207
297	250	304	375	225	296	375
209	**	111	134	133	**	128
994	**	1,476	1,606	885	1,448	1,591
**	**	**	**	**	**	199
**	**	5	6	2	4	6
1,47	**	1,688	2,510	1,167	1,942	2,197
$2,682	$2,399	$3,369	$4,317	$2,644	$3,700	$3,874
$402	$-75	$331	$245	$-126	$-353	$569

Exhibit 16

*Statement of Income and Expenses–Ratio to Total Sales**

	Age of Property	
	Built Before 1980	1980-1987
Annual Occupancy	67.5%	66.1%
Annual Room Rate	$36.96	$33.75
Revenues		
Rooms	94.7%	93.4%
Telephone	2.5	3.2
Minor-Operated	2.4	2.6
Rentals & Other Income	3.3	3.7
Total	100.0%	100.0%
Department Expenses		
Rooms	26.8%	26.2%
Telephone	0.3	0.2
Minor-Operated	0.6	**
Rentals & Other Income	1.0	1.0
Total	28.6%	27.4%
Department Profit		
Rooms	65.8%	66.3%
Telephone	(0.2)	(0.2)
Minor-Operated	1.4	1.4
Rentals & Other Income	3.0	3.7
Total	71.3%	72.6%
Undistributed Operating Expenses		
Administrative & General		
Payroll & Related	2.1%	2.1%
Other	4.8	4.6
Total	6.8%	6.7%
Marketing		
Payroll & Related	1.0%	1.0%
Other	4.7	4.8
Total	5.8%	5.8%
Energy Costs	5.6%	5.0%
Property Operation & Maintenance	5.9%	5.9%
Total Undistributed Operating Expenses	46.7%	47.4%
Income Before Management Fees	25.2%	24.1%
Management Fees (Base & Incentive)	4.8%	4.8%
Income Before Fixed Charges	42.2%	42.9%
Fixed Charges		
Rent	4.8%	2.3%
Property Taxes	3.3	4.0
Property Insurance	2.0	1.7
Interest	15.5	15.4
Depreciation & Amortization	1.7	**
Leased Equipment	0.1	0.1
Other	18.2	21.2
Total	36.5%	39.0%
Income Before Income Taxes	3.5%	3.3%

* All amounts are medians and do not necessarily add to totals shown.
** Insufficient response.

Size of Property				Average Room Rate		
Under 75 Rooms	75-99 Rooms	100-125 Rooms	Over 125 Rooms	Under $30.00	$30.00-$34.99	$35.00 & Over
67.9%	67.5%	67.6%	66.1%	67.5%	65.0%	67.6%
$30.25	$30.29	$35.04	$34.81	$23.96	$33.78	$39.71
96.5%	95.5%	94.8%	93.0%	95.2%	94.0%	93.7%
2.1	2.0	3.0	3.1	2.3	1.8	3.0
**	**	2.4	2.5	2.4	2.4	**
1.0	1.2	4.4	4.4	2.0	3.0	3.6
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
22.9%	27.0%	27.5%	25.8%	27.6%	29.1%	26.1%
2.3	**	0.3	0.2	3.3	0.3	0.2
0.6	**	0.3	0.2	**	**	0.2
**	**	1.0	0.9	**	1.1	1.0
24.7%	30.5%	28.9%	27.3%	30.7%	31.0%	27.4%
73.0%	69.5%	65.6%	65.9%	64.7%	63.5%	66.5%
(0.3)	0.1	(0.2)	(0.2)	(0.5)	(0.2)	(0.2)
**	**	1.3	1.5	**	1.3	1.4
0.7	1.2	4.2	3.7	1.7	3.0	3.4
75.3%	69.5%	71.1%	72.7%	69.3%	69.0%	72.5%
7.0%	5.8%	2.1%	2.0%	4.3%	2.2%	2.0%
8.0	6.1	4.8	4.6	4.6	4.9	4.6
12.6%	12.4%	6.8%	6.7%	8.3%	7.3%	6.7%
**	**	1.0%	1.0%	**	1.1%	1.0%
2.8%	**	5.1	4.6	4.1%	5.0	4.8
2.8%	**	6.2%	5.5%	4.3%	6.0%	5.8%
7.8%	8.2%	5.4%	5.1%	8.7%	6.0%	5.0%
4.4%	4.6%	6.1%	5.8%	6.7%	6.6%	5.6%
39.9%	40.9%	44.5%	48.5%	32.6%	42.2%	48.3%
27.7%	34.5%	25.9%	23.6%	30.9%	27.6%	23.9%
**	**	4.8%	4.8%	4.8%	4.8%	4.8%
39.9%	40.9%	39.7%	43.9%	29.5%	37.5%	43.6%
**	**	0.1%	0.0%	10.6%	0.0%	0.0%
4.2%	3.3%	3.3	3.8	3.6	3.2	3.5
2.4	**	1.6	1.2	2.4	**	1.2
9.4	**	15.5	15.8	13.0	16.5	15.2
**	**	**	**	**	**	1.8
**	**	0.1	0.1	0.0	0.0	0.1
16.6	**	17.3	22.2	17.4	21.3	19.2
37.1%	32.7%	36.6%	39.7%	40.2%	40.5%	36.7%
5.3%	(2.9)%	3.4%	2.4%	(3.6)%	(4.0)%	6.0%

Exhibit 17

*Statement of Income and Expenses–Amount Per Room**

	Occupancy		
	Less than 60%	60-69%	70-79%
Annual Occupancy	52.9 %	65.1 %	74.0 %
Annual Room Rate	$34.94	$34.38	$34.50
Revenues			
Rooms	$7,106	$8,950	$10,588
Telephone	187	204	289
Minor-Operated	180	230	264
Rentals & Other Income	452	264	215
Total	$7,716	$9,686	$11,386
Department Expenses			
Rooms	$2,306	$2,576	$2,788
Telepone	23	24	26
Minor-Operated	**	121	32
Rentals & Other Income	83	94	102
Total	$2,412	$2,712	$2,973
Department Profit			
Rooms	$4,819	$6,393	$7,867
Telephone	(21)	(22)	(20)
Minor-Operated	92	143	162
Rentals & Other Income	408	207	201
Total	$5,307	$7,056	$8,475
Undistrubuted Operating Expenses			
Administrative & General			
Payroll & Related	$173	$194	$211
Other	390	450	506
Total	$556	$653	$717
Marketing			
Payroll & Related	$83	$95	$104
Other	405	485	493
Total	$486	$583	$588
Energy Costs	$489	$533	$535
Property Operation & Maintenance	$513	$581	$567
Total Undistributed Operating Expenses	$3,151	$4,612	$5,648
Income Before Management Fees	$2,129	$2,381	$2,546
Management Fees (Base & Incentive)	$375	$480	$564
Income Before Fixed Charges	$2,732	$4,128	$5,236
Fixed Charges			
Rent	$112	$474	$304
Property Taxes	321	319	337
Property Insurance	163	138	127
Interest	1,815	2,154	2,172
Depreciation & Amortization	**	**	**
Leased Equipment	6	6	6
Other	1,503	1,416	1,623
Total	$3,324	$3,725	$3,688
Income Before Income Taxes	$(412)	$295	$1,332

* All amounts are medians and do not necessarily add to totals shown.
** Insufficient response.

	Region			
80% & Over	East	North Central	South Central	West
83.6 %	63.6 %	60.8 %	69.8 %	67.8 %
$29.48	$38.66	$37.05	$33.62	$28.29
$12,236	$8,879	$7,959	$9,375	$9,105
348	329	167	264	140
325	241	203	229	232
390	165	174	496	291
$12,715	$9,450	$8,349	$10,117	$9,962
$3,222	$2,570	$2,486	$2,632	$2,697
27	25	32	24	24
**	90	96	96	99
120	18	**	41	**
$3,352	$2,733	$2,729	$2,763	$2,823
$8,992	$6,409	$5,416	$6,691	$6,551
(23)	(19)	(20)	(22)	(23)
198	152	113	136	146
390	152	158	496	282
$9,348	$6,642	$5,827	$7,193	$7,050
$248	$204	$215	$194	$208
558	459	474	449	463
$813	$653	$689	$646	$675
$120	$92	$99	$97	$100
544	483	493	459	500
$641	$584	$588	$554	$590
$538	$544	$540	$505	$527
$643	$583	$496	$575	$598
$6,444	$4,185	$3,362	$4,874	$4,661
$2,772	$2,536	$2,446	$2,296	$2,410
$622	480	464	486	495
$5,884	$3,751	$3,197	$4,451	$4,188
$596	$150	**	$322	$512
326	397	503	290	402
**	155	168	124	131
2,074	1,624	1,504	1,434	1,688
**	**	**	**	**
9	9	10	5	5
1,618	2,227	1,539	1,932	2,350
$4,138	$4,055	$3,372	$3,548	$3,796
$1,871	$9	$198	$661	$64

Exhibit 18

*Statement of Income and Expenses–Ratio to Total Sales**

	Occupancy		
	Under 60%	60-69%	70-79%
Annual Occupancy	52.9 %	65.1 %	74.0 %
Annual Room Rate	$34.94	$34.38	$34.50
Revenues			
Rooms	92.1 %	94.0 %	95.1 %
Telephone	3.0	2.3	2.6
Minor-Operated	2.4	2.4	2.5
Rentals & Other Income	5.5	3.2	2.3
Total	100.0 %	100.0 %	100.0 %
Department Expenses			
Rooms	30.0 %	26.6 %	23.8 %
Telephone	0.3	0.2	0.2
Minor-Operated	**	1.3	0.3
Rentals & Other Income	1.1	1.0	0.9
Total	31.8 %	28.1 %	25.1 %
Department Profit			
Rooms	61.8 %	66.4 %	69.5 %
Telephone	-0.3	-0.2	-0.2
Minor-Operated	1.2	1.4	1.5
Rentals & Other Income	5.2	2.7	2.0
Total	68.2 %	71.9 %	74.7 %
Undistributed Operating Expenses			
Administrative & General			
Payroll & Related	2.2 %	2.1 %	1.9 %
Other	5.2	4.7	4.4
Total	7.4 %	6.8 %	6.3 %
Marketing			
Payroll & Related	1.1 %	1.0 %	0.9 %
Other	5.5	5.2	4.3
Total	6.5 %	6.1 %	5.2 %
Energy Costs	6.2 %	5.6 %	4.8 %
Property Operations & Maintenance	6.6 %	6.0 %	5.0 %
Total Undistributed Operating Expenses	39.9 %	46.9 %	50.5 %
Income Before Management Fees	27.8 %	25.4 %	22.3 %
Management Fees (Base & Incentive)	4.8	4.8	4.8
Income Before Fixed Charges	35.1 %	42.4 %	46.0 %
Fixed Charges			
Rent	1.1 %	4.7 %	3.1 %
Property Taxes	4.3	3.5	3.2 2.8
Property Insurance	2.6	2.1	1.8
Interest	19.7	15.2	14.3
Depreciation & Amortization	**	**	**
Leased Equipment	0.1	0.1	0.1
Other	22.2	21.1	18.6
Total	40.2 %	39.9 %	36.9 %
Income Before Income Taxes	-5.3 %	3.4 %	10.8 %

* All amounts are medians and do not necessarily add to totals shown.
** Insufficient response.

	Region			
80% & Over	East	South Central	North Central	West
83.6 %	63.6 %	69.8 %	60.8 %	67.8 %
$29.48	$38.66	$36.77	$33.62	$28.29
94.6 %	95.1 %	92.6 %	95.5 %	93.6 %
3.0	3.1	3.0	2.1	2.1
2.3	2.8	2.4	2.5	2.3
3.4	1.8	4.7	2.1	3.2
100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
25.3 %	27.3 %	26.0 %	27.3 %	27.0 %
0.2	0.3	0.2	0.4	0.2
**	0.2	0.3	**	**
0.9	1.0	1.0	1.0	1.0
26.4 %	28.7 %	27.2 %	28.3 %	28.9 %
68.8 %	66.0 %	66.4 %	64.6 %	65.8 %
-0.2	-0.2	-0.2	-0.2	-0.2
1.4	1.7	1.4	1.3	1.3
3.4	1.8	4.7	2.1	3.1
73.6 %	71.3 %	72.8 %	71.0 %	71.1 %
2.0 %	2.2 %	1.9 %	2.4 %	2.1 %
4.2	5.0	4.5	5.1	4.5
6.0 %	7.1 %	6.4 %	7.8 %	6.8 %
0.9 %	1.0 %	1.0 %	1.0 %	1.0 %
4.2	5.5	4.6	5.3	4.5
5.0 %	6.5 %	5.6 %	6.3 %	5.5 %
4.3 %	6.0 %	6.4 %	5.0 %	5.4 %
5.1 %	5.9 %	6.0 %	5.9 %	5.8 %
52.2 %	44.0 %	42.2 %	48.9 %	45.2 %
20.9 %	27.5 %	23.6 %	28.0 %	24.3 %
4.8	4.9	4.8	4.8	4.8
47.6 %	39.7 %	44.0 %	38.8 %	42.7 %
5.1 %	2.2 %	3.8 %	**	6.0 %
	4.1	3.1	5.1	4.2
**	1.5	1.4	1.7	2.2
12.7	16.9	14.6	15.3	16.1
**	**	**	**	**
0.1	0.1	0.1	0.1	0.1
15.7	21.9	18.6	17.0	22.1
34.3 %	40.2 %	36.3 %	36.6 %	38.1 %
15.9 %	0.1	3.5 %	7.3 %	0.5 %

APPENDIX I: UNDERSTANDING MEDIANS

Throughout the year, the Research Division at Laventhol & Horwath receives many phone calls requesting explanations about information contained in this study. "What is a median?" and "Why don't these amounts add to the total?" are probably the two most asked questions. Hopefully, this article will shed some light on these confusing issues.

A median is defined as the middle value of all amounts calculated for a specific line item. For example, if we received nine responses for the number of full-time employees—8, 4, 2, 6, 9, 7, 5, 1, 3, these numbers would be arranged sequentially—1, 2, 3, 4, 5, 6, 7, 8, 9 and the middle value "5" would be the median, since 50 percent of the responses received are below the value and 50 percent are above.

The responses are also broken into quartiles, or four equal parts, with the median still being the middle value.

The *lower quartile* is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the *upper quartile* defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific line item and the responses (conveniently) were numbered 1 thru 99, the median (or middle value) would be 50, the lower quartile would be 25 (25 percent of the responses would be below 25) and the upper quartile would be 75 (25 percent of the responses would be above 75). Fifty percent (or half) of the responses would fall between the lower and upper quartiles. (See chart on next page.)

Now that everyone has an understanding of medians, an attempt will be made to answer the question "Why don't the amounts add to the totals?"

The most important thing to remember is that *each line item is analyzed separately!* In the accompanying table when all amounts are arranged sequentially, the median amount per available room for total revenue is $7,719. This figure is based on the 200 properties* that gave us information for this specific line item. The median amounts per room for telephone, minor operated, and rentals and other income were $167, $43 and $99 respectively. These three amounts were analyzed on a sample of 256 properties that gave us separate income figures; 20 properties provided only information on room sales; they may have only had room revenue in their establishment. Variation in sample sizes is one reason why figures do not add to the totals shown.

There is another major reason why columns do not total. When using medians, it is important to remember that the median room sales, the median telephone sales and the median for the other income reported probably represent the results for many properties. This also holds true for lower and upper quartile figures.

One more fact to remember when comparing a hotel with those reported in this study is that it is not constructive to com-

**The numbers used for sample sizes are representative and are not actual sample sizes.*

pare a whole column to your establishment's results (the median column, for example). If your hotel has roughly the same total sales as the median reported, it may be correct to follow through using median amounts for costs and expenses. Since each line is analyzed separately, one property may be close to the median in sales, but have much higher or lower costs and expenses. There are certain factors such as size of hotel and region that may predetermine the costs and expenses and will automatically make a figure higher or lower than the median.

The proper way to compare a property's results with those reported in this study is to first complete the worksheet provided in the back of this study. Then compare industry figures to your figures, line by line. Large variances may identify an area in an operation that requires closer analysis.

Statement of Income and Expenses

Median Amounts Per Available Room — All Establishments

	Amount Per Available Room
Revenue	
Rooms	$7,417
Telephone	167
Minor Operated Departments	43
Rentals & Other Income	99
Total Revenue	$7,719

APPENDIX II: BASES AND SIGNIFICANCE OF LODGING STATISTICS

The operating ratios found in this report are based on a survey of a significant sample of the economy/limited-service sector of the lodging market. This report provides detailed guidelines that allow a manager of an economy property or an entrepreneur to evaluate his operation by comparing it with others that have similar characteristics (size, location, region, ownership of assets). Operating statistics used to analyze the economy/limited-service lodging industry express operating revenue and expenses as a ratio to total sales or as an amount per available room, the most common bases.

Number of rooms

The number of rooms used in several computations is the total number of rooms available for guest rental during the year. All rooms used for management, employees and store rooms are not included in these totals.

Room occupancy

The percentage of room occupancy is computed by dividing the total number of rooms occupied by the total number of rooms available for occupancy throughout the year. Seasonal fluctuations are thus removed, allowing properties in various climates to be compared for the same period. Seasonal variations can be seen when analyzed on a monthly basis, such as in the *National Trend of Business in the Economy Lodging Industry*.

Average room rate

The average room rate is computed by dividing rooms revenue, net of all allowances, by the total number of rooms occupied. Affecting this rate is the percentage of double occupancy associated with each property. Double occupancy is the percentage of rented rooms occupied by two or more persons. As the double occupancy increases, the room rate should also rise, since lodging facilities customarily charge a fee for each additional person occupying the guest room. Since most respondents in this survey did not report the total number of guest nights during the year, we were not able to report a double occupancy figure for 1987.

Comparison of operating results

Due to the current uncertainties surrounding financing methods, operators of lodging establishments may lease all or part of their assets. Because of high construction and interest costs, many operators have turned to creative financing techniques. For operators who lease their assets, fixed costs may differ significantly from those who own their assets. It is difficult to compare those operations with high depreciation and interest charges with those that are not required to pay any of those fees. To alleviate possible difficulties in comparison, it is recommended that the reader analyze results before fixed charges are deducted.

Number of times the average rate was earned

The number of times the average rate was earned is obtained by dividing income before fixed charges per available room by the average room rate. In comparing the total earnings of various hotels, the basis of comparison should be the average earnings per available room, since a large hotel should earn more in total than a smaller one. At the same time, earnings per available room should be judged in relation to the rate charged. Combining both of these necessary components of analysis results in the number of times the average rate goes into earnings per available room. Table 1 illustrates the practical application of this basis of comparison.

On the basis of the amount earned per available room, Hotel B seems to have the best record. But when the operating income is examined in relation to the average rate, it is evident that Hotel B did not do as well as Hotel A or Hotel C.

Means, medians and quartiles

Most of the figures in this lodging survey are given as medians and quartiles rather than means. The median and upper and lower quartiles are calculated by first arraying all the numbers in the order of the lowest to the highest figure. The number that falls in the middle of the list is the median. The figure halfway between the lowest number and the median is the lower quartile, while the figure halfway between the median and the highest number is the upper quartile. To arrive at an arithmetic mean, divide the sum of the values by the number of items used. Table 2 illustrates the difference between the two.

It can be seen how the inclusion of a unit with high sales per occupied room may bring about a mean that is not as representative of the group as is the median.

Productive index

The productivity index measures employee productivity in terms of the total revenue received for each dollar spent on payroll expenses. It is computed by dividing total revenue by total payroll and related expenses.

Table 1

	Hotel A	Hotel B	Hotel C
Number of Available Rooms	80	100	120
Average Room Rate	$15	$20	$17
Income Before Fixed Charges	$275,000	$385,000	$425,000
Income Before Fixed Charges Per Available Room	$3,438	$3,850	$3,542
Number of Times Average Rate Was Earned	229	193	208

Table 2

	Room Sales	Occupied Rooms	Room Sales Per Occupied Room
Hotel A	$ 300,000	20,000	$15.00
Hotel B	455,000	28,000	$16.25
Hotel C	650,000	32,000	$20.31
Hotel D	930,500	45,000	$20.68
Hotel E	1,250,000	50,000	$25.00
Total	$3,585,500	175,000	$97.24
Median			$20.31
Mean ($97.24 ÷ 5)			$19.45

PROPERTY ANALYSIS

The worksheet to the right will provide a quick analysis of how your property is performing in comparison to the industry.

Periodic analysis of the financial performance of your lodging establishment may provide early warning signs of potential problems. Examination on a regular basis could reveal undesirable trends and provide the opportunity for corrective action. The worksheet on this page is designed to provide a quick analysis of key items to reveal problem areas.

Follow these simple instructions for completing the worksheet:

1. Enter your figures in the first column.
2. Select the appropriate medians for comparison from the tables or text.
3. If the variance is greater than plus or minus 10 percent, further analysis should be made to determine the reason for that variance.

Worksheet

(Use medians from exhibits)

Amount Per Available Room	Your Property	Comparison 1	Comparison 2
Average Annual Occupancy Rate			
Average Annual Room Rate			
Revenues			
Rooms			
Telephone			
Minor-Operated			
Rentals & Other			
Total			
Department Expenses			
Rooms			
Telephone			
Minor-Operated			
Total			
Department Profit			
Rooms			
Telephone			
Minor-Operated			
Rentals & Other			
Total			
Undistributed Expenses			
Administrative & General			
Payroll & Related			
Other			
Total			
Marketing			
Payroll & Related			
Other			
Total			
Energy			
Property Operations & Maintenance			
Payroll & Related			
Other			
Total			
Total Undistributed Expenses			
Income Before Management Fees			
Management Fees (Base & Incentive)			
Income Before Fixed Charges			
Fixed Charges			
Rent			
Property Taxes			
Property Insurance			
Interest			
Depreciation & Amortization			
Total Fixed Charges			
Income Before Income Taxes			

EXPLANATION OF TERMS

Room sales

Guest rooms revenue generated from accommodations on a part-day occupancy, full-day or longer period basis, net of any rebates and discounts. Also included are charges for maid or linen services.

Rentals and other income

Income from vending machine concessions and commissions, public telephone commissions, merchandise sales of postcards, souvenirs and newspapers, commissions on guest laundry, valet, meeting room rentals and all other income not included elsewhere.

Payroll and related expenses—rooms department

The salaries and wages of departmental personnel and management including overtime, holiday and vacation pay. Also included are employee benefits and payroll taxes such as Federal, state, social security and workmen's compensation.

Payroll and related expenses—administrative and general

Salaries and wages for the resident manager or managing director, secretaries, reception clerks and bookkeepers.

Undistributed operating expenses—administrative and general

Expenses incurred from bad debts, credit card commissions, data processing services, general insurance, licenses and dues, operating supplies, professional fees, security services, travel and entertainment and other related miscellaneous expenses.

Marketing

Advertising, publicity, franchise fees and other promotional expenses such as printing; newspaper, magazine and billboard space and broadcasting time.

"Most economy properties are located adjacent to highways and in suburban areas."

Energy

The cost of fuel, electrical current and water.

Payroll and related expenses—property operation and maintenance

Payroll and related expenses associated with the repair and maintenance of the building, furniture and fixtures, equipment, in addition to all other expenses necessary to keep the property in operating condition.

Property operation and maintenance

The cost of materials used in repairing equipment, the exterior and interior of the building (floors, walls, doors, furniture), grounds and landscaping, painting and decorating, the removal of waste matter and other related expenses necessary for the upkeep of the lodging facility.

Management fees

Fees charged by a management organization for management service or supervision should be charged to the account.

Income before fixed charges

For purposes of this economy/limited-service lodging industry study, income before fixed charges is defined as a total departmental revenue from all sources (rooms, minor departments, rentals and other income and telephone) less all departmental and undistributed operating expenses. This is the income from all operations before deducting rent, property taxes, property insurance, interest, depreciation and income taxes.

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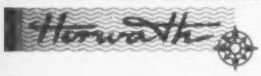

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